

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 NEA-10 ADP-00 CAB-09 CIAE-00 COME-00

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TO AMEMBASSY THE HAGUE

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY NICOSIA

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

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E. O. 11652: N/A

TAGS: ETRN, NE

SUBJ: CIVAIR - EXCHANGE RATE FOR AIR FARES

REF : A) THE HAGUE 2107; B) THE HAGUE 2130; C) BONN6732
MENT ON NORTH ATLANTIC FARES, FARES IN LOCAL CURRENCIES
HAVE NOT BEEN CHANGED FROM 1972 LEVELS WITH EXCEPTION
(AS IN CASE OF FARES FROM US) OF INCREASES
TO REFLECT, AT LEAST PARTIALLY, NEW CURRENCY VALUES.

2. AS EMBASSY NOTES REFTELS, GUILDER FARES HAVE NOT BEEN
CHANGED. WITH PEGGED CURRENCY VALUES IN PAST THESE FARES
WERE KEYED TO AGREED IATA EXCHANGE RATES AND QUOTED IN
DOLLARS OR POUNDS STERLING EQUIVALENT DEPENDING ON AREA OF
OPERATIONS. SINCE DOLLAR DEVALUED AND POUND FLOATING IN
ADDITION TO OTHER CURRENCY FLOATS IT IMPOSSIBLE TO
ESTABLISH STABLE IATA EXCHANGE LIST AS IN PAST. THERE-
FORE, IATA RESOLUTIONS WHICH REQUIRE PAYMENT IN CURRENCY
OF COUNTRY IN WHICH TRAVEL ORIGINATES AUTOMATICALLY
BECOME EFFECTIVE.

3. IN CONNECTION CURRENCY REVALUATIONS, UNDER " STATUS
QUO" AGREEMENT WHICH WAS ONLY VIABLE SOLUTION TO AIR FARE
IMPASSE FOR CURRENT TRAVEL SEASON, IT WAS NEVER
EXPECTED THAT SALES OF AIR TRANSPORTATION IN FOREIGN
COUNTRY BY FOREIGN CARRIER WOULD BE AT LOWER RATES
THAN PREVIOUSLY. WHILE REVALUATIONS HAVE NOT REDUCED
GUILDER FARES, NEITHER HAVE THEY INCREASED THEM FOR DUTCH
TOURIST NOR HAVE KLM'S GUILDER REVENUES INCREASED. DUTCH
CITIZEN WISHING TO VISIT US NOW PAYS NO MORE THAN
PREVIOUSLY FOR AIR FARE IN GUILDERS AND, AS EMBASSY NOTES,
HAS ADVANTAGE OF LOWER GUILDER COSTS FOR EXPENSES IN US
AT NEW EXCHANGE RATES. SINCE, AS A GENERAL RULE, COST OF
OTHER TOURIST EXPENSES, HOTELS, MEALS, TRAVEL WHILE
ABROAD ARE ABOUT TWO THIRDS OF TOTAL TRAVEL COST, WITH
INTERNATIONAL AIR FARE RESPONSIBLE FOR OTHER THIRD,
DUTCH RESIDENT STILL ABLE TO TRAVEL AT CONSIDERABLE
SAVINGS IN US COMPARED TO SITUATION PRIOR TO REVALUATIONS.
THESE SAVINGS, AND FACT THEY REPRESENT MAJOR SHARE OF
TOTAL TRAVEL PACKAGE COST, COULD BE EMPHASIZED BY EMBASSY
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IN VISIT AMERICA PROGRAMS. MAY ALSO NOTE THAT IN VIEW OF
INFLATION IN EUROPE NORTH ATLANTIC AIR FARES WHICH HAVE
NOT RISEN ABOVE 1972 LEVEL FOR PURCHASE IN GUILDERS MAY BE
AMONG BEST TRAVEL BARGAINS AVAILABLE.

4. ON OTHER HAND, FROM BALANCE OF PAYMENTS VIEWPOINT, AIR
FARES FOR US CITIZENS WISHING TO TRAVEL ABROAD NOW, IN

CASE OF NORTH ATLANTIC, ARE SOME 6 PERCENT HIGHER THAN PRIOR TO REVALUATION. THIS INCREASE, IN ADDITION TO HIGHER TOURISM COSTS IN EUROPE DUE TO DECREASED DOLLAR VALUE, MAY BE EXPECTED TO REDUCE, OR AT LEAST SLOW DOWN GROWTH OF US TOURISM TO EUROPE THUS RESULTING IN POSITIVE FOREIGN EXCHANGE SAVINGS.

5. WE NOT AWARE OF FURTHER INCREASES IN IATA FARES MENTIONED PARA 2 REF (A), NOR DO WE CONSIDER THERE ANY LIKELIHOOD THAT FOREIGN CARRIERS (OR US CARRIERS) WOULD AGREE TO LOWER FOREIGN CURRENCY FARES TO US DURING PRESENT TRAVEL SEASON IN VIEW OF INABILITY OF CARRIERS IN MONTHS OF IATA NEGOTIATIONS TO DEVELOP CONSENSUS ON NORTH ATLANTIC FARES OTHER THAN LAST MINUTE STATUS QUO COMPROMISE. PROBLEMS CAUSED FOR IATA BY FLOATING EXCHANGE RATES WHILE TEMPORARY IN PAST MAY BECOME STANDARD IN FUTURE. A NEW MODUS OPERANDI MAY HAVE TO BE WORKED OUT BY IATA CARRIERS IN CONTEXT OF NEW AGREEMENTS IN FUTURE IF FLOATING RATES ARE WITH US TO STAY. NONETHELESS, WE EXPECT COMBINED EFFECTS OF DEVALUATION NOTED ABOVE MAY RESULT IN BENEFICIAL BALANCE OF PAYMENTS EFFECT ON TOURISM ACCOUNTS. IN THIS REGARD, RECENT TRADE PUBLICATION NOTES BOOKINGS FOR TRAVEL TO US BY EUROPEANS ARE BOOMING. RUSH

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